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14 July 1967

*adm - 2.3*

MEMORANDUM FOR THE RECORD

SUBJECT: FY 1968 NRO Budget Hearings

1. On 13 July a general budget hearing was held for all of the Agency's NRO activities. The purpose was to discuss the initial allocations of funds, to learn if possible the reasons for the severe reductions, and to determine how to approach reclaims and resubmissions. Those present were

[redacted] and  
[redacted] DD/S&T offices. The OSA representatives were [redacted]

[redacted] the meeting was

2. The discussion was divided into two main sessions. During the first, the offices reviewed their FY 1968 programs and discussed the impact of the reductions. The second session was basically a discussion by [redacted] of the problems confronting the Secretary of Defense and the reasons for the limited initial allocations to projects. In general terms, the meeting was unproductive and disappointing, which may have been due in part to the fact that the second session might more logically have been held first.

3. It was the understanding of OSA that the purpose of the meeting was to give [redacted] the same briefing which had earlier been given to Mr. Duckett, to justify the need for additional funds in certain categories, and to find out what additional documentation was needed to support the programs. However, this was apparently not [redacted] understanding.

**DD/S&T**

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25X1A [ ] was the first speaker, and his presentation  
 25X1A of the ONCART, IDEALIST, and U-2R programs was frequently  
 25X1A interrupted by [ ] who objected to going into such  
 detail at this meeting. He made the same observations during  
 [ ] discussion of the Aircraft R&D budget. Conse-  
 quently, the conference resulted in no decisions and there  
 will be subsequent meetings with [ ] to massage the 25X1A  
 individual line items. This applies to all DD/S&T components,  
 and the OSA session with [ ] was scheduled for Monday, 25X1A  
 17 July.

25X1A 4. The only value of the meeting was to enable us to  
 grasp at least a small part of the problem which faces us.  
 In broad terms, the Agency programs are being critically  
 reviewed and reduced because of a shortage of funds in DOD  
 estimated [ ]. Heretofore, the NRO programs were  
 apart and related largely to the USAT. Now, the consideration  
 in DOD is for the total DOD budget, and we are in direct  
 competition with all DOD requirements. It should also be  
 noted that this shortage of funds is a direct result of  
 Mr. McNamara's management policies, and it is largely the  
 result of his personal decision to fund the ABM by cutting  
 other programs rather than ask Congress to appropriate funds  
 for the ABM. This is somewhat confusing because the  
 Congressional leaders have demanded an ABM system, and there  
 have been repeated expressions of Congressional willingness  
 to appropriate the necessary funds. Initial allocations of  
 the total DOD appropriation (to Army, Navy, Air Force, etc.)  
 are far below the programmed levels, and the Air Force is  
 expected by McNamara to absorb about 40% of the total DOD  
 cuts. The Air Force, in turn, is taking the largest part of  
 this out of NRO Activities.

5. The most important aspects of the OSA discussions  
 were as follows:

a. It was pointed out to [ ] that the  
 initial allocation of [ ] the EG&G activity was  
 already expended, inasmuch as the operation costs  
 [ ] It was also explained that the  
 facility would have to close down in the next day  
 or so unless supplemental funds were made available  
 for a reasonable closeout period. [ ]  
 reaction to the forced shutdown was, "That's great.  
 That's what we want". It was pointed out that a  
 ten-year activity could not be shut down overnight,

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that important tests were underway, and that it would be necessary to develop a sensible plan rather than simply allow it to collapse. He finally agreed to let the facility continue at its present level with the understanding that the discussions the following week would include the development of a close-out program for the next few weeks. He made it clear that they would not agree to a full scale operation until December, and that he had no concern for the USAF activities being conducted at the range. He stated that, "The Air Force will just have to make other arrangements". The most that we can expect for EG&G is a completion of the Agency's activities already underway. Any decision to keep the range open for the duration of the deployment will obviously have to come from a higher level than [ ].

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b. It is highly unlikely that there will be any significant allocation of funds to the Agency for aircraft R&D. [ ] made it clear that he thought it would be a waste of money to allot funds to the Agency for this purpose because the NRO was not going to approve Agency's development of another aircraft system. He assumed that the allocation of R&D funds would only lead to another proposal similar to ISINGLASS. It was explained that we had no intention of proposing such a system, and that the funds were needed for improvements to existing systems. He was not altogether receptive to this approach either, and his reaction to continued effort to improve the U-2 was "Heaven forbid". However, he did say that we could come over with individual proposals, and that they would consider allotting funds if the NRO staff recommended it. I think that, in [ ] view, the Agency is on its way out of the manned aircraft R&D business. We should give serious consideration to transferring this aspect of the program back to the Agency's budget. I will explore this possibility on a low-key basis.

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c. Our next effort will be a session with [redacted] to rejustify the items which are urgently needed. It will also be necessary to establish estimates for the OXCART phase-out costs which were not included in the original presentation.

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[redacted]

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Comptroller  
Office of Special Activities

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Compt/OSA [redacted]

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